



Reinforcing Entrance and Exit Loan Counseling Concepts


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Objectives



- Understand the basic requirements of loan counseling
- Share best practices for effective counseling sessions
- Identify resources for conducting loan counseling



Purpose of counseling

TG™

- Fulfills requirement mandated by federal law and regulations
- Educates Direct Loan Stafford and Student PLUS loan borrower regarding his or her rights and responsibilities



Delivery methods

TG™

Counseling may be provided:

- In person
- By interactive electronic means (e.g. *Mapping Your Future*®)
- By electronic or written means, with the borrower's acknowledgement of receipt (entrance only)



Who can perform in-person counseling sessions



- Entrance and Exit Counseling:
 - School
 - Loan servicers
 - Guarantors
- Must meet conditions:
 - School must be in control of the session
 - Presenters prohibited from promoting products or services



Documentation



- The school must maintain documentation to substantiate compliance with entrance and exit counseling requirements for each borrower.
- Make sure you have a tracking mechanism to collect a report of students who chose to complete counseling online.



Entrance counseling for Direct Loan Stafford

School responsibilities




School must ensure that:

- First-time borrowers complete counseling prior to first disbursement of Stafford loan, and
- An individual with expertise in Title IV programs is available shortly after counseling to answer student questions.
 - This requirement applies to all forms of counseling, including online sessions.




Required elements **TG**[™]

- Reinforce the importance of repayment
- Enforce that repayment required regardless of outcome
 - Student completes program within regular time or not
 - Student finds job or not
 - Student is dissatisfied with educational experience
- Discuss likely consequences of default
 - Delinquent debt collection procedures apply
 - Possible exorbitant collection fees added
 - Adverse credit reports, federal offset, wages garnished, subject to litigation, loss for future federal aid




Required elements **TG**[™]

- Explain the use of the MPN
 - Right to sign a new promissory note every year
 - Includes borrower's rights and responsibilities
- Discuss interest and capitalization
 - Differences on subsidized versus unsubsidized
 - Option to pay the interest while in school on unsubsidized Stafford




Required elements **TG**[™]

- Provide sample monthly repayment amounts (Attachment A)
 - Range of several levels of indebtedness OR
 - Average cumulative indebtedness of other borrowers at the same school or in the same *program* at the same school
- Samples must be based on type of loans applicable to students in session (e.g. DL Subsidized/Unsubsidized, Grad PLUS)



Required elements **TG**[™]

- Information on how to access NSLDS
- Name and contact information for questions regarding borrower's rights and responsibilities
- Effect of accepting the loan on eligibility for other forms of aid



Required elements



- Importance of contacting the appropriate offices if the borrower withdraws to ensure he or she receives exit counseling
- Student obligation to notify office of changes in enrollment
 - Drop below half-time
 - Define definition of half-time enrollment for student
 - Graduates or transfers
 - Change in name, SSN, address



Comprehensive entrance counseling



Information not required, but highly recommended includes:

- Review terms and conditions of loan
- Discuss repayment options
- Share money management strategies
- Review deferments and forbearances



Comprehensive entrance counseling



- Discuss borrower rights and responsibilities
- Inform about schools's refund and withdrawal policies
- Reinforce importance of recordkeeping
- Remind them to attend exit counseling



Entrance counseling for Grad PLUS

School responsibilities



School must ensure that:

- All first-time Grad PLUS borrowers complete counseling prior to first disbursement
- A borrower's Stafford loan eligibility has been determined
- An individual with expertise in Title IV programs is available shortly after counseling to answer questions
- It distinguishes between borrowers and covers pertinent information (e.g. Prior Stafford borrowers vs. First time Grad PLUS borrowers)



Required information – all Grad PLUS borrowers



- Sample monthly repayment amounts based on:
 - 1) range of student levels of indebtedness or
 - 2) average indebtedness of student borrowers at the same school or in the same program of study at the same school.
- If choose option 2, must be based on average indebtedness of borrowers who have received Grad PLUS loans at your school



No prior Stafford



- Same as for Stafford entrance counseling:
 - Explain use of the MPN
 - Emphasize the importance of repayment
 - Describe consequences of default
 - Remind about obligation to repay loan
 - Effect of accepting the loan on eligibility for other forms of aid
 - Explain interest accrual, capitalization and option to pay
 - Notify school of withdrawal and change of status
 - Provide contact information for questions



Grad PLUS borrowers with a prior Stafford



- School must notify borrower of maximum Stafford loan amount, and
- Provide comparison of terms between Stafford and Grad PLUS regarding:
 - Interest rates
 - Periods when interest accrues
 - When the loans enter repayment
- This information may be provided through the financial aid award letter process, if done so before certification



Comprehensive counseling



- Regulations only specify *minimum* entrance counseling requirements for the two categories of Grad PLUS borrowers
- Regulations do not:
 - Require schools to develop separate entrance counseling materials
 - Prohibit schools from exceeding the minimum counseling requirements
- If a school prefers to require all Grad PLUS borrowers to complete comprehensive counseling, it may do so



Exit counseling

School responsibilities



School must ensure that:

- Counseling is conducted shortly before Stafford and Grad PLUS loan borrower ceases half-time enrollment, and
- An individual with expertise in Title IV programs is available shortly after counseling to answer questions
 - This requirement applies to all forms of counseling, including online.



Student withdrawals without notice



Counseling must be provided:

- Electronically; or
- By mail using written materials to borrower within 30 days after learning borrower withdrew or has not completed session
 - Not required to use certified mail
 - Must document in student's file that materials were sent
 - If student does not return the completed form, no further action is required



Required elements



- Same topics outlined in entrance counseling, but with emphasis on loan repayment and debt management
 - Consequences of default
 - Seriousness of borrowing, obligation to repay and use of MPN, understand rights and responsibilities
- Information on each available **repayment plan**
 - Description of plan's features
 - Samples of average monthly payments (Attachment B)
 - Differences in interest paid and total payments
 - Option to prepay, pay on shorter timeframe and change plans



Required elements



- Average anticipated monthly repayment amount
 - Based on specific indebtedness of borrower OR
 - Average indebtedness of borrowers at same school or in same program of study at school (Stafford and Grad PLUS if applicable)
- Information on loan consolidation
 - Option to consolidate various loans (e.g. FFEL and DL)
 - Effects of consolidating on:
 - total interest paid, fees, length of repayment
 - underlying benefits (e.g. grace, loan forgiveness, cancellation, and deferment options)
 - Option to prepay and change plans



Required elements



- Debt management strategies
- General description of the types of tax benefits that may be available to borrowers (see Exit Combo PPT)
- Provisions for loan forgiveness and loan cancellation (Attachment E and D)
- Conditions for deferments and forbearance (Attachment E and D)



Required elements



- Availability of ED's student loan ombudsman office for conflict resolution
- Availability of NSLDS *and* how it can be used to obtain loan status information



Required collection of information



- School must collect borrower's contact information:
 - Current name, address, SSN, references, DL#
 - Addresses of borrower's relatives
 - Expected employer (if known)
 - Expected permanent address (if known)
- Borrower contact information must be provided to the guarantor and/or Direct Loan Servicing Center within 60 days.



Best practices

Best practices for effective counseling



- Identify at-risk populations and provide targeted information (e.g. first year students)
- Conduct combination of in-person and online sessions
- Customize sessions with relevant information
 - Provide specific repayment schedules at Exit based on student's debt vs. school's average indebtedness
- Spot check reference information for accuracy



Best practices for effective counseling



- Provide handouts to reinforce material presented
- Use written tests to ensure comprehension of concepts
- For online counseling, make sure it's interactive
- Incorporate in-person sessions into other events for flexibility (e.g. orientation, parent weekends, dorm meetings)



Loan counseling resources

Loan counseling resources



TG / Council resources for in-person sessions

www.tgslc.org/council/training/Mod4/resources.cfm

- Presentation templates
- Sample tests
- Training module
- Sample Monthly Repayment Amounts (Attachment A)
- Comparison of Repayment Plans (Attachment B)
- Deferments, Forbearance, Loan Forgiveness and Discharge (Attachments E and C)

Online Counseling - *Mapping Your Future*[®]

www.mappingyourfuture.org



U.S. Department of Education - Resources



- Federal Student Aid Publications website
 - www.fsapubs.org
 - Direct Loan Entrance Counseling Guide
 - Direct Loan Exit Counseling Guide
- NSLDS
 - www.nslsds.ed.gov
 - Online Exit Counseling
- Federal Student Aid
 - www.studentloans.gov
 - Online Entrance Counseling (not active yet)



Frequently asked questions

Frequently asked questions



- Is the Entrance and Exit Counseling information on *Mapping Your Future*® compliant with current regulatory requirements? YES
- If a student completed Entrance Counseling for a FFELP Stafford loan, and later received a Direct Stafford Loan, is the student required to take another Entrance Counseling session? NO



Frequently asked questions



- If a student has FFELP and Direct Loans, what are the Exit counseling requirements?
 - A borrower may either attend a combined FFELP and Direct Loan Counseling session or they may attend two separate sessions – one for FFELP Loans and one for Direct Loans.
 - If they attend a combined session, make sure that all FFELP and Direct Loan requirements are covered.



Frequently asked questions



- Do federal regulations permit schools to e-mail the Exit materials (within 30 days) to students who withdrew without notice in place of sending the materials via regular US Postal Service?



Questions?

This presentation is available for download at

www.tgslc.org/tgconference.



TG can help.

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